Design Sense

58

Renewed Vitality for Very Large Corporations

How RCA Is Keeping Itself Aggressive, Innovative, Growth-Oriented

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attention:

Chief Executive Officers of very large companies

This issue of Design Sense is especially for you—the GEs and GMs, the Texacos and Textrons of the business world. It addresses itself to this important question:

How can a very large corporation encourage the innovative aggressiveness needed to achieve continued growth?

*Good reading for small and medium-sized companies, too!

Let us assume that your company already is:

a. engaged in basic research at the frontiers of selected scientific disciplines

b. engaged in applied research to produce new products or services using advanced technology

c. decentralized to give maximum responsibility—and accountability—to profit centers throughout the corporation

d. actively seeking smart young executives

e. highly successful now, with good sales (although never enough), good profit margins (although not as good as they should be), and good return on equity capital

f. a major, and probably dominant, factor in selected fields of endeavor

But somehow your company isn't:

a. quite the hard-driving organization it once was

b. sought out by the brightest of the bright college graduates

c. still looked upon as a growth company by the investment world

d. posting as good a P/E ratio as many johnny-come-latelys (some of whom are quite unsubstantial)

Of course it's so much easier for a small company to capture the imagination of the public. It's so much harder to create lasting excitement about a big company.

How Do Companies Grow?

All companies were small once. And the small companies that became big got there because somebody—or a lot of somebodies—weren't content with things as they were. They dared to change, to take action different—in some way—from the rest of the pack.

Innovation Took Many Forms:

inventive genius of the sort displayed by a Steinmetz or Edison

new production methods as developed by a Henry Ford

organizational skills parlayed by an Alfred E. Sloan at General Motors

technological and business foresight as combined by a David Sarnoff at RCA

Whatever the particular ability involved, one thing is clear: big companies got that way because somebody dared to be different, and often different in what had seemed a prosaic area of operation.

Right now we'd like to tell you about one very large, highly successful company which is taking action today to keep itself aggressive and innovative and growth-oriented. The company is RCA.

RCA is big and successful by any standard.

During the past 10 years its annual sales have more than doubled, to pass the 3 billion dollar mark.

During the past 10 years its profits per share have almost quadrupled.

And, 80% of its products didn't exist commercially 10 years ago.

But how do you keep such growth going?

It was precisely because of its success that RCA's new president and now chief executive officer, Robert Sarnoff, was concerned.

His company's success wasn't attained by standing pat, so why stand pat now?

What action should he take to guide the corporation to greater growth in the years to come?

And what means should he use to communicate the spirit of the company to both the outside world and his own fellow employees so that they would continue to innovate?

Recognizing that a company's executives may find themselves standing too close to provide the necessary perspective for developing meaningful criteria and goals, Robert Sarnoff sought objective, professional outside help.

Mr. Sarnoff chose Lippincott & Margulies to assist RCA specifically because of L&M's success in developing total communications systems that generated renewed growth for such large companies as Chrysler Corporation, Eastern Air Lines and Uniroyal.

L&M's Assignment for RCA:

1. Analysis of the company, its environment, and its manifest objectives

2. Determination of the effectiveness of the company's communications in helping it to achieve these objectives

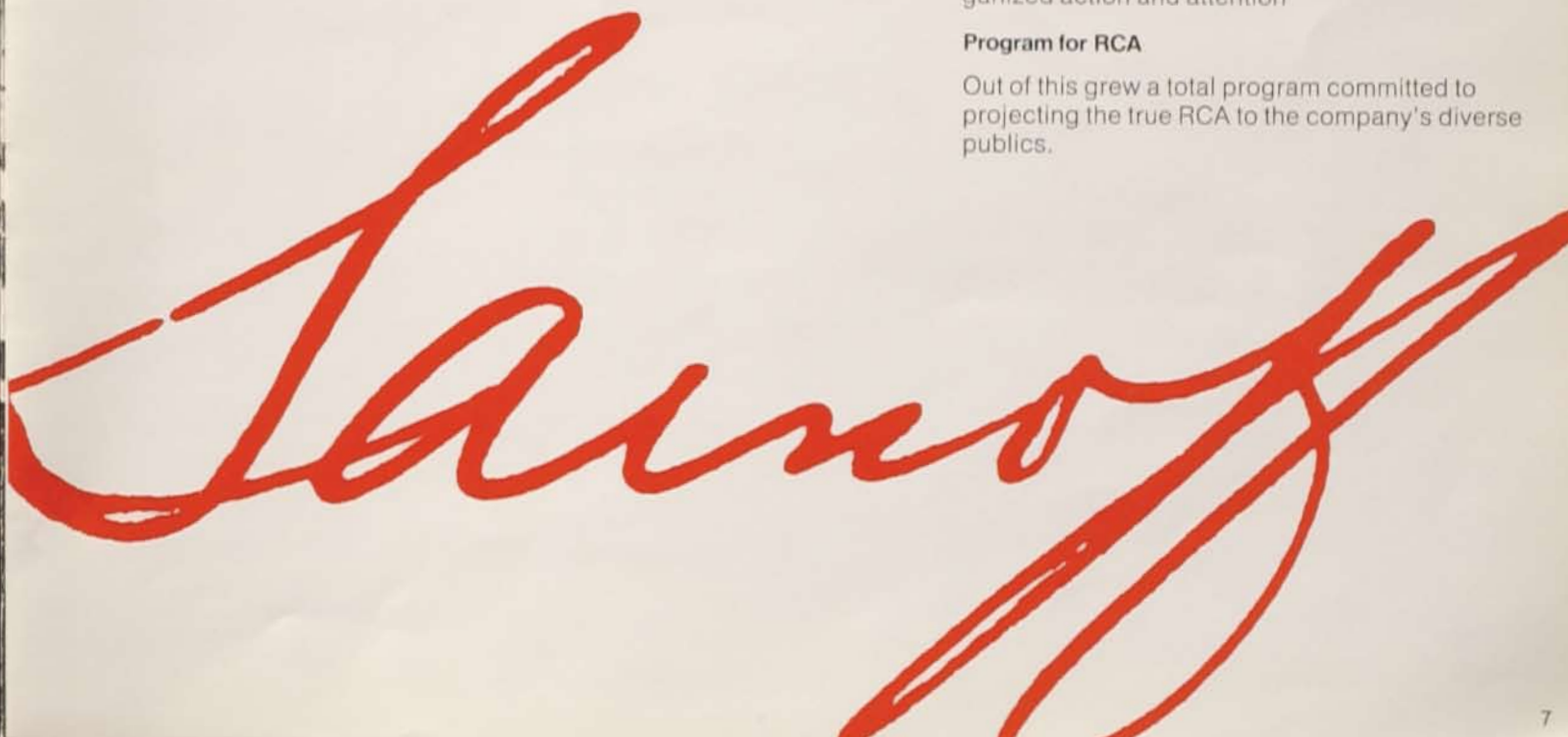
3. Articulation of the corporate philosophy to provide additional guidelines for decision-making to help the company move more efficiently toward its objectives

4. Creation of a corporate communications plan, based on strategy evolving from the corporate philosophy

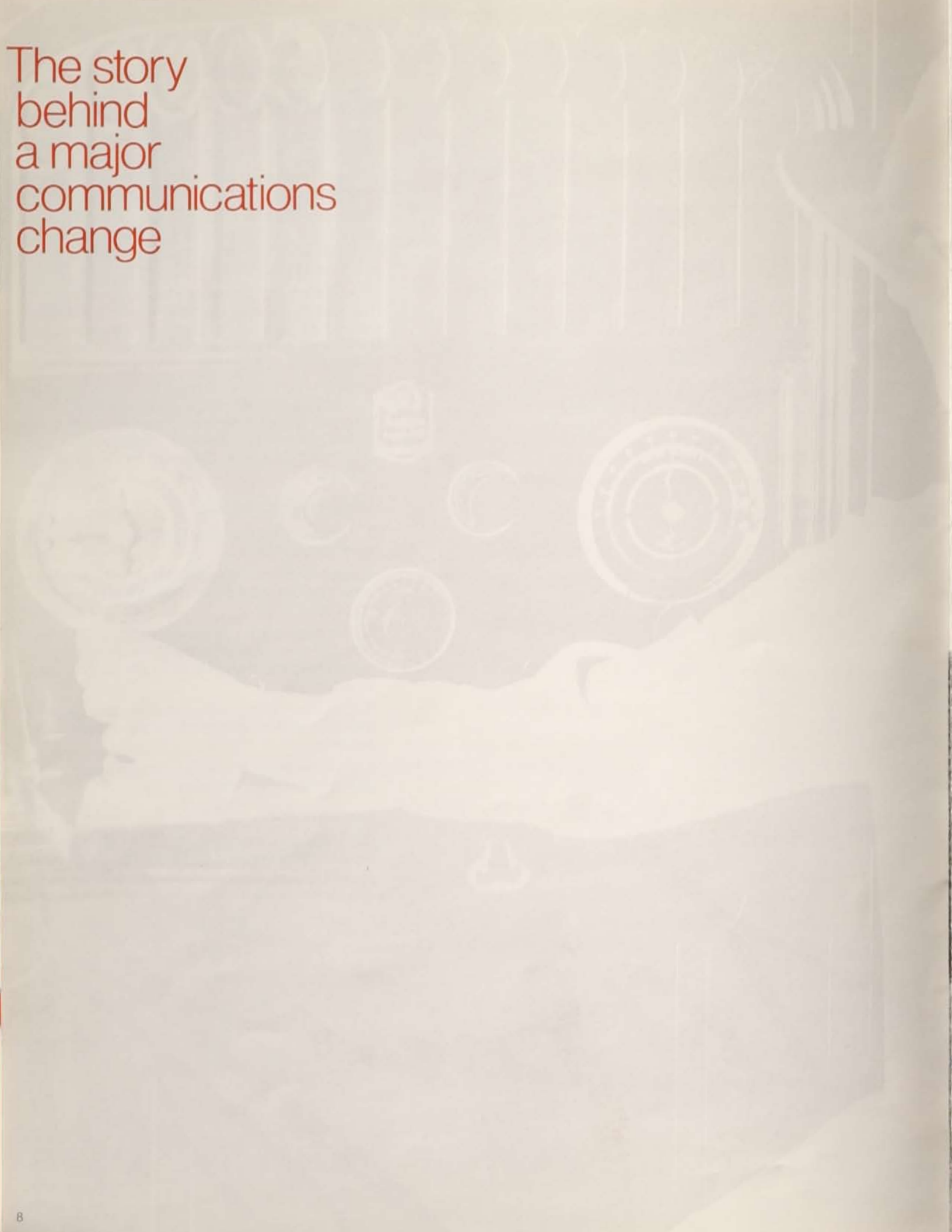
5. Implementation of the plan through specific, organized action and attention

Program for RCA

Out of this grew a total program committed to projecting the true RCA to the company's diverse publics.



The story behind a major communications change



The work began with a detailed analysis of what RCA's objectives seemed to be; what people—in government, the financial community, shareholders, customers, employees, prospective employees—think of the company; and what it is actually saying to them. For this, the L&M project team

- conferred at length with key RCA executives
- studied all relevant operating procedures
- examined at first hand, facilities from TV plants in Indianapolis and recording studios in Rome, to microwave labs in Montreal and the launching pads of Cape Kennedy
- analyzed volumes of corporate publications and executive speeches
- evaluated hundreds of commercials and ads
- assessed thousands of products and packages, sales brochures and signs.

L&M's Initial Conclusion:

A new approach was needed to reflect the scope and dynamism of a major corporation involved with every principal aspect of information technology, from broadcasting and publishing to computers and educational systems.

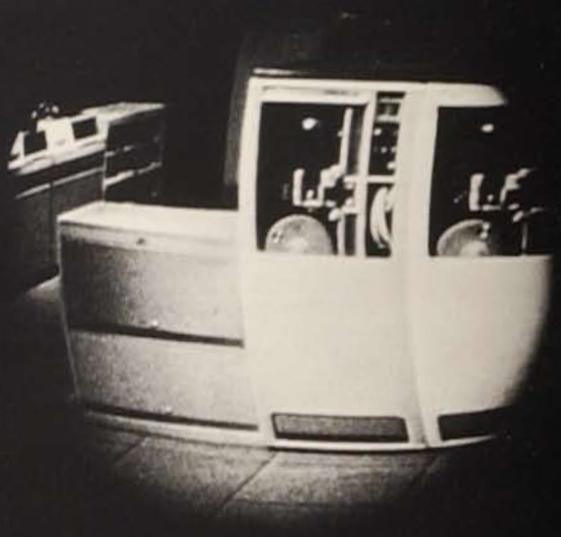
Unmistakably, the outward face which RCA showed to its publics did not measure up to its inner reality. Moreover, the communicative structure for accomplishing past and present objectives could never successfully help to carry out new objectives.

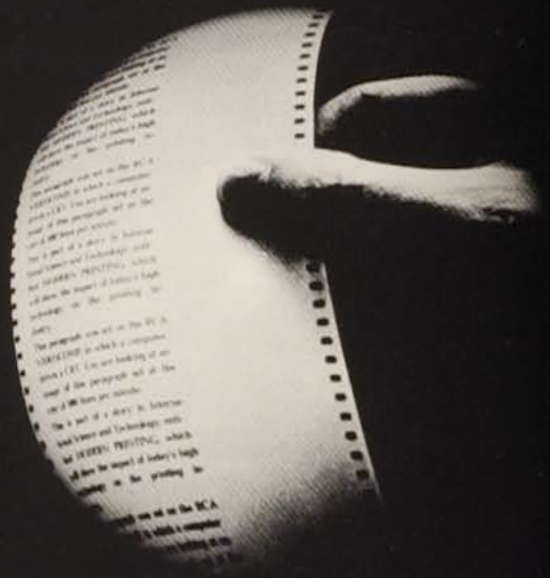
First Step: A Written Philosophy Statement

L&M's solution began with synthesizing management's philosophy. Out of this came a written statement from which the new communications program could grow. Tracing RCA's dramatic advance from its original communications base to the technological thrusts ranging from the core of the atom to the surface of the moon, L&M saw RCA as a *systematically evolving* corporation with the following attributes:

1. Continuity of growth and development linking the past to the future
2. Ongoing-updating activity to keep itself always in the vanguard
3. Pioneering innovation and flexibility to meet the challenges of a changing environment
4. Activity that maintains a constant state of "becoming"
5. A spectrum of activity that gives RCA a unique depth compared to specialized competitors
6. Systematic inter-action of its varied capabilities to spin off new technologies
7. Spontaneity of atmosphere which stimulates discovery and breakthrough
8. Responsibility as a good citizen and well-run corporation
9. Increasingly global activities and interests

Identification and formulation of 8 major competences

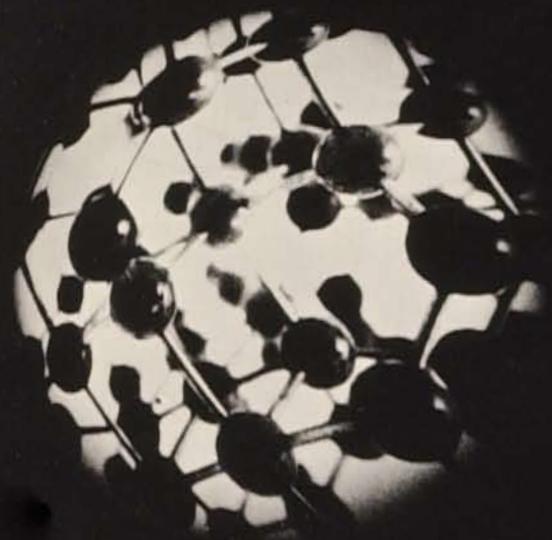




Top: aerospace skills are employed in electronic systems for this manned moon landing vehicle; information finds modern expression in electronic computers. Bottom: entertainment is brought into millions of homes by RCA broadcast systems; communications embrace graphic systems such as Videocomp which sets type at thousands of characters a second.

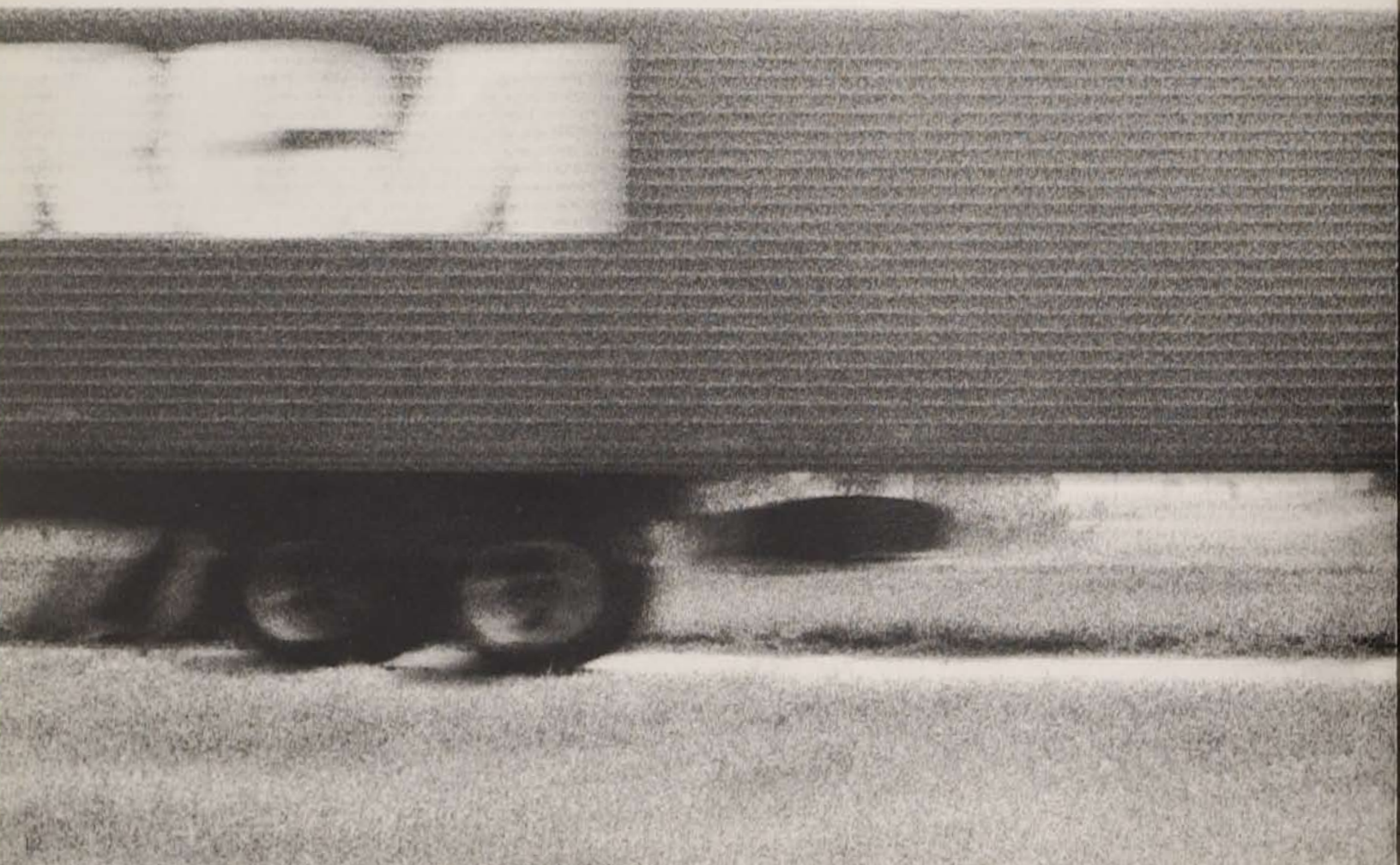
From the great range of RCA goods and services L&M defined 8 major competences to describe more precisely the types of business in which the corporation is engaged, and help project RCA's continuing growth and diversification more clearly and effectively to its many audiences. Taken together, these 8 competences embrace the full spectrum of RCA's activities, and represent systems of technology and business offering the greatest promise for further development and acceleration of a growth rate that has made RCA the 15th largest industrial concern in the nation.

aerospace systems
information systems
defense systems
education systems
entertainment systems
communications systems
research
services



Top: defense products include telemetry antennas for the Air Force; education is advanced by RCA computer-based instructional systems. Bottom: research in such areas as molecular structure works toward transforming man's environment; service activities are varied and worldwide, and include installation and maintenance of consumer products by RCA technicians.

An action plan



L&M recommended an action plan for immediate development, with full participation by RCA's management, to move the company more vigorously toward its future corporate objectives. This plan included:

1. Change of the communicative name

Although the legal name "Radio Corporation of America" should be retained, it is no longer fitting for a globally oriented company which has only a small part of its business in radio. Therefore, RCA should become the communicative name of the corporation.

2. Redesign of the RCA symbol

Why would RCA change one of the best known corporate symbols in the world?

- Because RCA wants to lead, not lag.
- Because "we've always done it that way" is not good enough for creative innovators.
- Because communications get obsolete, just like factories, and should be written off, just like factories—while salvaging those parts that are still good.
- Because it is too costly to maintain a mark that is no longer working with maximum efficiency to sell for the company.
- Because Roman letterforms don't speak in the language of the space age.
- Because a lightning flash is inappropriate for a leading builder of integrated electronic circuitry.

3. Elimination of the slogan "The Most Trusted Name in Electronics" as too restrictive for today's diversified company

4. Elimination of all unnecessary graphics and merchandising logotypes

5. Systematic subordination of brand names and secondary graphics to the RCA corporate identifier

- For products with generic descriptions, RCA becomes the brand:

RCA Batteries RCA Microphones RCA Tubes

- Where important equities must be retained, RCA is used for supporting endorsement but not as part of the brand name, as in Spectra 70 computers and Videocomp typesetters.

6. Updating of organizational nomenclature

Significant changes were recommended in names of products, divisions and subsidiaries. These were based on marketing considerations (to ensure favorable acceptance of the company's products and services by customers and the trade), internal considerations (employee identification and pride of association with the company), and dealings with financial and other outside publics.

Patterns which had resulted simply from historical accident were changed to give primacy to the corporate identifier. For example, when RCA absorbed the Victor Talking Machine Company in 1929, it acquired and continued to use various trademarks including Victor, Red Seal, and the little fox terrier Nipper listening to "His Master's Voice" on an old phonograph. These not only diluted the primary RCA mark but worked against a consistent look in overseas marketing, since RCA's rights to the trademark of "His Master's Voice" were restricted for the most part to North and South America. L&M's solution was to scale down or eliminate these secondary marks in favor of the RCA initials, which surveys showed was the sign most customers look for.

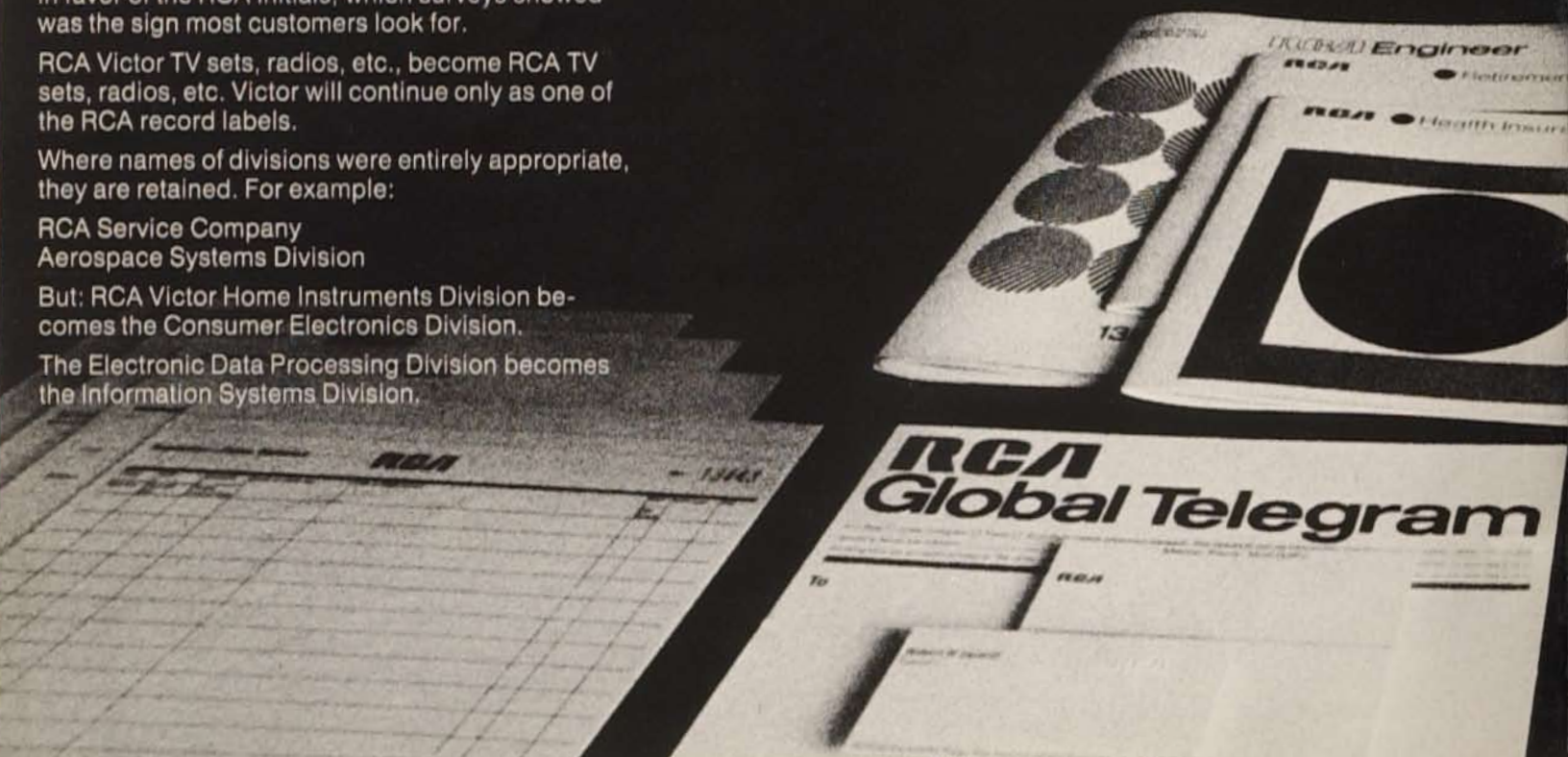
RCA Victor TV sets, radios, etc., become RCA TV sets, radios, etc. Victor will continue only as one of the RCA record labels.

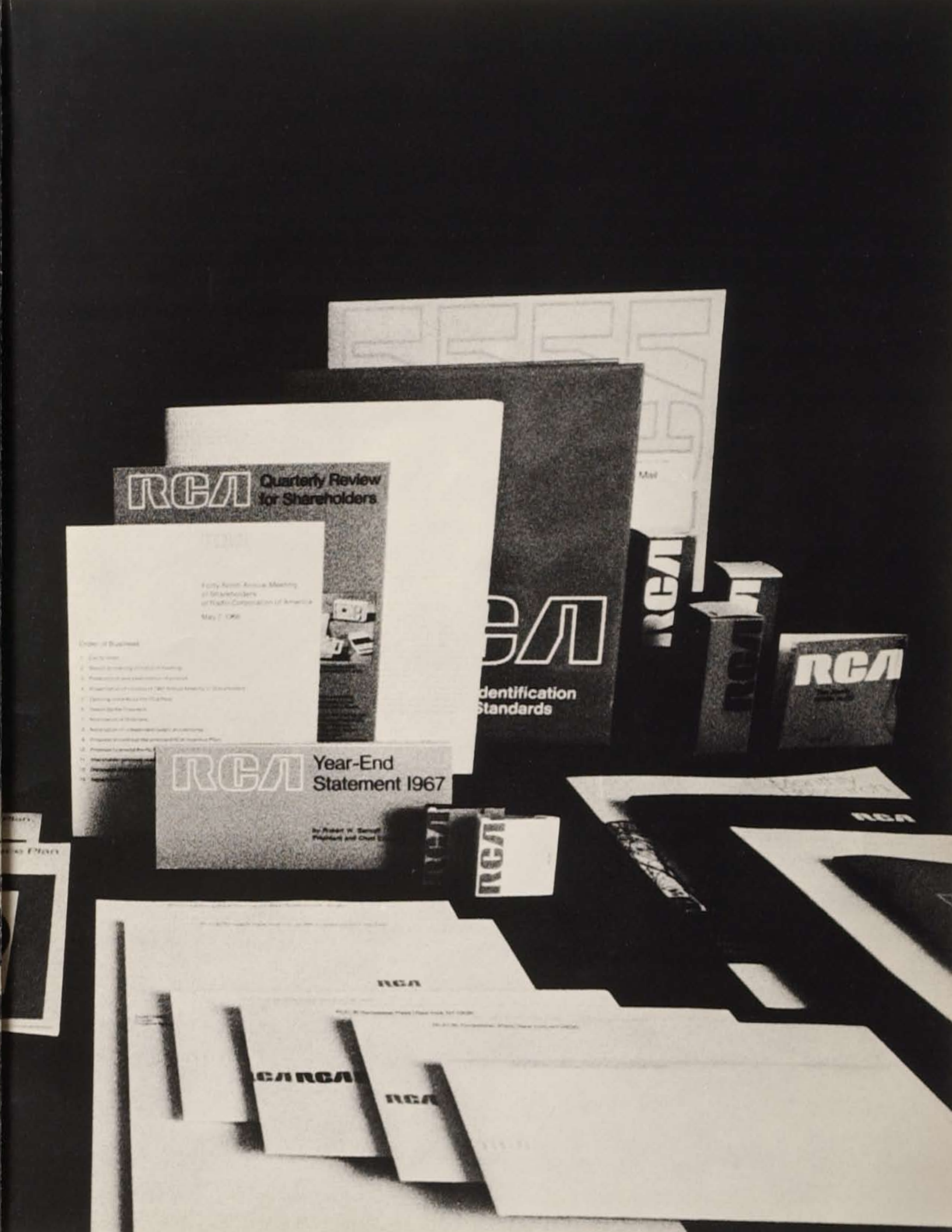
Where names of divisions were entirely appropriate, they are retained. For example:

RCA Service Company
Aerospace Systems Division

But: RCA Victor Home Instruments Division becomes the Consumer Electronics Division.

The Electronic Data Processing Division becomes the Information Systems Division.




RCA Quarterly Review for Shareholders
RCA Year-End Statement 1967
RCA

Suddenly

RCA is projecting a dynamic new personality to all of its various publics—communicating fresh imagination and youthful vigor to consumers, employees, stockholders, the press, the business and financial community. In the coming year, this new spirit will be reflected in more than 2,000 ads and commercials, tens of thousands of new signs, more than 20,000 different types of printed materials and publications, and 3,000 repainted service trucks. In these few pages, it has been possible to discuss only major sections of the total RCA program, which is transforming uniforms, packaging, exhibits, offices and plants.

The broad scope of the new communications program is matched only by the scope of RCA itself.

Hundreds of approving comments

Robert Sarnoff reports ". . . hundreds of approving comments from our customers and competitors, stockholders and employees. We were especially encouraged by the enthusiastic response of many creative people—product designers, advertising artists, copywriters, and architects—who felt that the new style would liberate and revitalize their efforts to communicate the dynamism and diversity of the company.

"For me, however, the most significant comment of all came in a letter from an electronics engineer of another firm who had just seen one of our new ads. *'RCA,'* he wrote, *'looks like the kind of company that I would like to work for.'* "

A Total Program vs. a Piecemeal Approach

Because RCA's name is synonymous with communications, its comprehensive new program may stimulate other large companies to take a closer look at their corporate communications.
In the past, companies have employed a piecemeal approach in attempting to shore up signs of weakness. Without any overall plan, they tried to do the job with unrelated efforts in one or several areas:

- special corporate advertising
- stronger brand advertising
- new division advertising
- changing public relations agencies
- instituting a corporate identity program
- extra promotion
- more product publicity
- new marketing strategy
- redesigned packaging
- changing of symbol

Now a broader perspective calls for combining efforts in all these areas, using them as building blocks in a total communications program. This not only multiplies their effectiveness and greatly increases their efficiency, but it provides the consistency and strength of overall impression that is essential for successful communication in today's ever more crowded and competitive marketplace.

To Answer Our Original Question

How can a very large corporation encourage the innovative aggressiveness needed to achieve continued growth?

One very important way is to follow the example of RCA and other large companies: make sure your corporate communications never become static. As your company changes, your communications program should evolve with it—meeting new challenges, inspiring new solutions.

You, the men in charge of change, stand today on the threshold of global marketing with its new dimensions of cultural and language differences. To respond successfully to these opportunities, you will need ever more sophisticated and comprehensive corporate communications programs.

Readers of this issue of Design Sense will find the following of special interest:

Design Sense 54/The New Adults In numbers, they're history's richest bonanza of buying power, but in all else an unknown quantity. How the new breed of adults differs from previous generations. What some marketers are doing to communicate with this pivotal new mass of consumers. Also: How Bendix—a billion dollar, diversified company—learned to overcome communications confusion and project an appropriate identity.

Design Sense 55/Growth and Your Price-Earnings Ratio What's so important about the P/E ratio? Is it an accurate indicator of the financial world's assessment of your company? The ploys and counterploys of the new corporate game: acquire or be acquired. Merger mathematics: how to buy a dollar of earnings with less than a dollar of earnings. Comments from four Wall Street experts on the relationship of growth to the P/E ratio. Special test of your own company's attitude toward growth.

Design Sense 57/Con Edison: A Troubled Giant and Its Dramatic Turnaround How does the public's attitude toward a company affect corporate performance? Public image vs. corporate reality: what can and cannot be controlled by management. The story of how the country's largest utility is transforming its battered image through a skillful combination of improved performance and a well-designed communications approach.

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